

# Department of Housing and Community Development

## Despite Being Mostly Prepared, It Must Take Additional Steps to Better Ensure Proper Implementation of the Recovery Act's Homelessness Prevention Program

### REPORT NUMBER 2009-119.3, ISSUED FEBRUARY 2010

The Department of Housing and Community Development (department) has taken many steps to position itself to successfully administer its portion of the Homelessness Prevention and Rapid Re-Housing Program (Homelessness Prevention program). For example, it has implemented processes to minimize the time that elapses between drawing down Homelessness Prevention funds and disbursing them to subrecipients such as cities, counties, and local nonprofit organizations, and to help ensure that these funds are spent by certain deadlines. However, the department could take additional steps to improve its administration of the program. These steps include developing and implementing processes to ensure that subrecipients do not maintain excessive balances of federal funds and finalizing and implementing guidelines for monitoring subrecipients. Additionally, the department could develop written policies for practices that it states it currently follows, such as its periodic review of its spending for administrative costs. Further, it could document actions it takes while administering the program, such as recording the date that it submits Recovery Act information to the State.

In the report, the California State Auditor (state auditor) made the following recommendations to the department. The state auditor's determination regarding the current status of recommendations is based on the department's response to the state auditor as of September 2011.

#### **Recommendation 1.1—See pages 11—14 of the audit report for information on the related finding.**

To strengthen the processes involved in its administration of the Homelessness Prevention program, the department should develop and implement necessary policies that are currently absent. Specifically, the department should develop and implement policies for ensuring that subrecipients limit the time that elapses between receiving federal funds and disbursing them, as well as policies for ensuring that subrecipients maintain an appropriate level of federal cash balances.

#### ***Department's Action: Fully implemented.***

The department stated that to help limit the time from when the subrecipients receive the Homelessness Prevention funds to when they disburse them, it requires subrecipients to submit expenditure reports no later than 30 days after the end of each quarter. The department indicated that it reviews these quarterly expenditure reports to determine the amount of the subrecipient's next cash advance. Specifically, the department plans to reduce the amount of additional Homelessness Prevention funds that subrecipients request for a quarter by the amount of their grant funds remaining from the previous quarter. Additionally, we reviewed the most recent expenditure reports for the seven subrecipients we identified in our audit report that held excessive cash balances and found that they no longer did so.

#### **Recommendation 1.2.a—See pages 8—9 of the audit report for information on the related finding.**

To strengthen the processes involved in its administration of the Homelessness Prevention program, the department should finalize and implement those policies that are currently in draft form. Specifically, the department should finalize and implement its draft guidelines for monitoring subrecipients, including its plans to conduct quarterly surveys of subrecipients and to perform risk assessments of the subrecipients. These guidelines should ensure that subrecipients comply with the following:

- Costs incurred are for only those services allowed by law.
- The time period between receiving and spending federal funds is minimized, which has the effect of limiting the federal cash balances that subrecipients maintain.
- Federal cash balances are maintained in interest-bearing accounts.
- Households receiving services are eligible to participate.
- Eligible households are not charged fees to participate.
- The two- and three-year spending deadlines are met.
- Administrative costs stay within applicable limits.
- Reports submitted to the department contain accurate and complete information.
- The 11 requirements identified in the March 2009 notice issued by the U.S. Department of Housing and Urban Development are met, including habitability standards for housing units, nondiscrimination and equal opportunity requirements, and requirements involving lead-based paint.
- Registration in the federal Central Contractor Register is maintained.

***Department's Action: Fully implemented.***

The department finalized and implemented its guidelines for monitoring subrecipients, including guidelines for reviewing quarterly expenditure reports to ensure subrecipients expended program funds on only those services allowed by law, and a quarterly subrecipient questionnaire to solicit contract management information and identify possible red flags. Additionally, to help ensure that subrecipients meet spending deadlines, the guidelines also include a policy and procedure for monitoring subrecipients no later than 120 days before the deadlines. The guidelines also include procedures to review information included in quarterly expenditure reports to ensure accuracy and completeness, as well as procedures for performing site monitoring and desk audits of subrecipients that incorporate the requirements identified in federal guidance.

**Recommendation 1.2.b—See pages 8—10 of the audit report for information on the related finding.**

The department should also finalize and implement its draft plan to perform site visits or desk audits of subrecipients between April 2010 and the end of March 2011.

***Department's Action: Fully implemented.***

In July 2010 the department finalized and implemented its schedule for performing site monitoring visits and desk audits. The new schedule indicates that the department plans to complete its site visits and desk audits of all subrecipients by the end of September 2011 rather than the end of March 2011, as originally planned.

**Recommendation 1.3.a—See page 11 of the audit report for information on the related finding.**

To strengthen the processes involved in its administration of the Homelessness Prevention program, the department should put into writing those practices that it states it currently follows. Specifically, the department should put into writing its current practices for minimizing the time from the date it draws down federal funds to the date it disburses the funds to subrecipients.

*Department's Action: Fully implemented.*

The department has put into writing the current practices it states it follows. Specifically, in March 2010 the department developed written procedures for minimizing the time between the date it draws down federal funds and the date it disburses those funds to the subrecipients.

**Recommendation 1.3.b—See page 14 of the audit report for information on the related finding.**

The department should also put into writing its current practices for management's periodic review of the department's level of spending for administrative costs, to help ensure that it does not exceed the applicable limit.

*Department's Action: Fully implemented.*

The department has put into writing the current practices it states it follows. Specifically, in March 2010 the department developed written procedures for its periodic review of administrative cost spending.

**Recommendation 1.3.c—See pages 17—19 of the audit report for information on the related finding.**

The department should also put into writing its current practices for preparing, reviewing, and submitting required federal reports.

*Department's Action: Fully implemented.*

The department has put into writing the current practices it states it follows. Specifically, the department developed written procedures for preparing, reviewing, and submitting its required federal reports.

**Recommendation 1.4.a—See pages 14—15 of the audit report for information on the related finding.**

To strengthen the processes involved in its administration of the Homelessness Prevention program, the department should document actions that it takes while administering the program. Specifically, the department should document the results of management's periodic review of the department's level of spending for administrative costs.

*Department's Action: Fully implemented.*

The department indicated that it documents management's periodic review of administrative costs and the date it submits required federal reports. As a part of its budget review procedure, the department implemented a method for management to document its periodic review of administrative cost spending.

**Recommendation 1.4.b—See page 19 of the audit report for information on the related finding.**

The department should also document the date on which it submits its Recovery Act information using the State's accountability tool.

*Department's Action: Fully implemented.*

The department provided evidence that it now documents the date it submits its quarterly reports required by the Recovery Act.

**Recommendation 1.5—See page 21 of the audit report for information on the related finding.**

The department should notify its subrecipients of the federal award number for the Homelessness Prevention program.

***Department's Action: Fully implemented.***

The department notified its subrecipients of the federal award number for the Homelessness Prevention program in February 2010.